

**WATERWORKS DISTRICT NO. 6
OF THE PARISH OF ST. MARY**
Charenton, Louisiana

Financial Report

Year Ended September 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/6/11

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
 BASIC FINANCIAL STATEMENTS	
Fund Financial Statements	
Balance sheet	4
Statement of revenues, expenses and changes in net assets	5
Statement of cash flows	6
Notes to financial statements	7-17
 OTHER SUPPLEMENTARY INFORMATION	
Comparative Financial Statements	
Balance sheet	19
Statement of revenues, expenses and changes in net assets	20
Statement of Cash flows	21-22
Schedule of number of water customers	23
Schedule of insurance in force	24
Schedule of aged accounts	25
Schedule of water rates	26
 INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	28-29
Schedule of audit results and findings	30-31
Summary schedule of prior audit findings	32
Corrective action plan for current year findings	33

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*

Tynes E. Mixon, Jr., CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Penny Angelle Scruggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Marshall W. Guidry, CPA
Alan M. Taylor, CPA
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Cheryl L. Bartley, CPA
Mandy B. Self, CPA
Paul L. Delcambre, Jr., CPA
Wanda F. Arcement, CPA, CVA
Kristin B. Dautai, CPA
Richard R. Anderson Sr., CPA
Carolyn C. Anderson, CPA

Retired:
Conrad O. Chapman, CPA* 2006
Harry J. Clostio, CPA 2007

* A Professional Accounting Corporation

OFFICES

183 South Boeale Rd.
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bridge St.
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

408 West Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddell St.
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

621 Main Street
Pinoville, LA 71360
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KCSRCPAS.COM

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Waterworks District No. 6 of the Parish of St. Mary
Charenton, Louisiana

We have audited the accompanying financial statements of the business-type activities of the Waterworks District No. 6 of the Parish of St. Mary (hereinafter "the District"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Waterworks District No. 6 of the Parish of St. Mary as of September 30, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as "Other Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the other supplementary information.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 22, 2011

BASIC FINANCIAL STATEMENTS

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Balance Sheet
September 30, 2010

ASSETS

Current assets:	
Cash and cash equivalents	\$ 221,450
Receivables:	
Due from other governmental entities	96,082
Restricted assets:	
Cash	<u>150,770</u>
Total current assets	468,302
Property, plant and equipment, net	<u>4,475,277</u>
 Total assets	 <u>\$ 4,943,579</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Current maturities of bonds payable	\$ 191,018
Accrued interest	8,801
Payable from restricted assets:	
Refundable deposits	<u>97,789</u>
Total current liabilities	<u>297,608</u>
Noncurrent liabilities:	
Bonds payable	2,319,391
Compensated absences	<u>64,885</u>
Total noncurrent liabilities	<u>2,384,276</u>
Total liabilities	<u>2,681,884</u>
Net Assets:	
Invested in capital assets, net of related debt	1,964,868
Restricted	44,051
Unrestricted	<u>252,776</u>
Total net assets	<u>2,261,695</u>
 Total liabilities and net assets	 <u>\$ 4,943,579</u>

The accompanying notes are an integral part of this statement.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2010

OPERATING EXPENSES

Other services and charges	\$ 10,059
Depreciation	<u>355,104</u>
Total operating expenses	<u>365,163</u>
 Operating loss	 <u>(365,163)</u>

NON-OPERATING REVENUES (EXPENSES)

Ad valorem taxes	286,321
Bond interest and fiscal charges	(110,901)
Interest income	9,797
Intergovernmental grants	<u>56,993</u>
Total non-operating revenues (expenses)	<u>242,210</u>
 Net loss	 (122,953)

NET ASSETS, beginning	<u>2,384,648</u>
-----------------------	------------------

NET ASSETS, ending	<u>\$ 2,261,695</u>
--------------------	---------------------

The accompanying notes are an integral part of this statement.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Statement of Cash Flows
Year Ended September 30, 2010

OPERATING ACTIVITIES	
Payments for goods and services	<u>\$ (10,059)</u>
NON-CAPITAL FINANCING ACTIVITIES	
Intergovernmental transfers	56,993
Receipts from non-operating taxes	<u>286,321</u>
Net cash provided by non-capital financing activities	<u>343,314</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest and fiscal charges paid	(111,356)
Principle paid on bonds	<u>(180,501)</u>
Net cash used for capital and related financing activities	<u>(291,857)</u>
INVESTING ACTIVITIES	
Interest received	<u>9,797</u>
Net increase in cash and cash equivalents	51,195
Cash and cash equivalents, beginning	<u>321,025</u>
Cash and cash equivalents, ending	<u>\$ 372,220</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (365,163)
Adjustment to reconcile operating loss to net cash provided by operating activities -	
Depreciation	<u>355,104</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (10,059)</u>

The accompanying notes are an integral part of this statement.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Waterworks District No. 6 of the Parish of St. Mary (hereinafter "District"), a component unit of the Parish of St. Mary, was created by an ordinance of the St. Mary Parish Council (formerly Police Jury). The District operates under a Board of Commissioners. The purpose of the District is to provide water utility service to residents within its boundaries.

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

None of the assets or debt obligations of the District existing prior to the assumption of operations by Water and Sewer Commission No. 4 were formally or legally transferred to or assumed by Water and Sewer Commission No. 4. Accordingly, those items remain the property and/or obligation of the District and any related activity is reported in the current financial statements.

The accounting and reporting policies of the District conform to generally accepted accounting principals as applicable to governments. The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513, the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

This report includes all funds, which are controlled by or dependent on the District's executive and legislative branches (the Board of Commissioners). Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election, or appointment of governing body, and other general oversight responsibility.

The District is a component unit of the Parish of St. Mary. Although the Parish does not provide facilities or financing, it does exercise some control over operations.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Notes to Financial Statements (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. The District uses proprietary funds to account for its activities. Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, it is the District's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principals Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principals Board Opinions or Accounting Research Bulletins of the Committee on Accounting Procedure issued after November 30, 1989.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Notes to Financial Statements (continued)

Capital Assets

All capital assets of the proprietary fund purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Water Utility:

System	20-50 years
Equipment	5-10 years

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations.

Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts by direct write-off at the time information becomes available which would indicate the uncollectibility of the particular receivable. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Vacation and Sick Leave

The District adopted an annual vacation and sick leave policy for all full time employees. Vacation varies with the length of service and cannot be carried forward. Sick leave is accrued at a rate of one day per month and is allowed to accumulate up to 120 days. Up to 90 days of sick leave may be paid as a termination benefit upon retirement.

Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Notes to Financial Statements (continued)

Net Assets

Net assets are displayed in three components:

- a) Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds during the reporting period. Actual results may differ from these estimates.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Notes to Financial Statements (continued)

NOTE 2 MEETING EXPENSE

Meeting expense paid to the Board of Supervisors for the year ended September 30, 2010, is as follows:

Harold Louviere	\$ 49
Stephanie L. Burney	49
Camile Punch	49
Don Darden	49
Gerald Bourg	<u>49</u>
	<u>\$ 245</u>

This portion is intentionally left blank

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Notes to Financial Statements (continued)

NOTE 3 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2010, the District had cash and interest-bearing deposits (book balances) totaling \$372,220 as follows:

Cash on hand	\$ 1,120
Demand deposits	300,153
Time deposits	<u>70,947</u>
Total	<u><u>\$ 372,220</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the District or the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2010, deposits (bank balances) totaling \$371,032 were fully secured by federal deposit insurance.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. Since the District's total bank balances were fully insured, the deposits are not exposed to custodial credit risk.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Notes to Financial Statements (continued)

NOTE 4 RESTRICTED ASSETS

Restricted assets consisted of the following at September 30, 2010:

Revenue bond sinking fund	\$ 319
Revenue bond reserve fund	21,866
Capital additions and contingencies fund	21,866
Customer deposits	<u>106,719</u>
	<u>\$ 150,770</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and improvements	\$ 6,926	\$ -	\$ -	\$ 6,926
Other capital assets:				
Water distribution system	4,566,524	-	-	4,566,524
Water treatment plant and equipment	5,239,335	-	-	5,239,335
Total other capital assets	9,805,859	-	-	9,805,859
Less accumulation depreciation for:				
Water distribution system	2,596,324	202,243	-	2,798,567
Water treatment plant and equipment	2,386,080	152,861	-	2,538,941
Total accumulated depreciation	4,982,404	355,104	-	5,337,508
Other capital assets, net	4,823,455	(355,104)	-	4,468,351
Capital assets, net	<u>\$4,830,381</u>	<u>\$ (355,104)</u>	<u>\$ -</u>	<u>\$4,475,277</u>

Depreciation expense was charged to the District's business-type activities for the year ended September 30, 2010 in the amount of \$355,104.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Notes to Financial Statements (continued)

NOTE 6 CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended September 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,850,000	\$ -	\$ 170,000	\$ 1,680,000	\$ 180,000
Water revenue notes payable	840,910	-	10,501	830,409	11,018
Compensated absences	<u>64,885</u>	-	-	<u>64,885</u>	-
	<u>\$2,755,795</u>	<u>\$ -</u>	<u>\$ 180,501</u>	<u>\$2,575,294</u>	<u>\$ 191,018</u>

Long-term debt at September 30, 2010, is comprised of the following individual issues:

\$1,290,000 General Obligation Refunding Bonds, Series 2004, issued March 2004, payable in annual installments of \$5,000 to \$160,000 from 2005 to 2015, semi-annual interest payable at 3.40% per annum. The bonds maturing March 2010 and thereafter are callable in full, or in part after March 2009; secured by ad valorem tax revenues. \$ 720,000

\$1,200,000 General Obligation Bonds, Series 2004, issued March 2004 for construction improvements to the waterworks plant and system, payable in annual installments of \$35,000 to \$95,000 from 2005 to 2024, semi-annual interest payable at 1.00% to 6.00% per annum. The bonds maturing March 2015 and thereafter are callable for redemption in full, or in part, after March 2014; secured by ad valorem tax revenues. 960,000

Total general obligation bonds 1,680,000

\$900,000 Water Revenue Notes Payable, issued for constructing improvements to the waterworks plant and system, payable in Monthly installments of \$4,230 from 2003 to 2043, with interest at 4.75% per annum; secured by system revenues 830,409

Total long-term debt \$ 2,510,409

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Notes to Financial Statements (continued)

The annual requirements to amortize all debt outstanding as of September 30, 2010, are as follows:

Year Ending September 30,	General Obligation Bonds		Water Revenue Notes	
	Principal	Interest	Principal	Interest
2011	\$ 180,000	65,687	11,018	39,742
2012	190,000	59,722	11,560	39,200
2013	195,000	52,837	11,129	39,631
2014	205,000	44,882	13,726	37,034
2015	220,000	36,732	13,353	37,407
2016-2020	340,000	128,985	77,294	176,506
2021-2025	350,000	38,376	100,132	153,668
2026-2030	-	-	123,132	130,668
2031-2035	-	-	158,921	94,879
2036-2040	-	-	202,081	51,719
2041-2043	-	-	108,063	6,177
	<u>\$ 1,680,000</u>	<u>\$ 427,221</u>	<u>\$ 830,409</u>	<u>\$ 806,631</u>

NOTE 7 AD VALOREM TAXES

The following is a summary of authorized and levied ad valorem tax millages:

	Authorized/ Levied Millage
District taxes;	
Bond and interest	7.54

Levied millages for bond and interest taxes are restricted to payment of principal and interest on general obligation bonds and are reported as nonoperating revenue on the statement of revenues, expenses and changes in net assets.

Ad valorem taxes for the maintenance millage are reported as operating revenue on the statement of revenues, expenses and changes in net assets.

Total taxes of \$286,207 were levied on property having assessed taxable valuations totaling \$37,958,398.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Notes to Financial Statements (continued)

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The District is insured up to policy limits for each of the above risks. There were no significant changes in coverage, retentions, or limits during the year ended September 30, 2010. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

NOTE 9 RELATED PARTY ACTIVITY

Consolidated Districts:

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

The transfers between the District and Water and Sewer Commission No. 4 are included in the financial statements as intergovernmental grants (nonoperating) and were as follows:

Transfers from St. Mary Parish Water and Sewer Commission No. 4

Debt	\$ 51,060
Reserve	2,844
Contingency	2,844
Other	<u>245</u>
Total transfers from St. Mary Parish Water and Sewer Commission No. 4	<u>\$ 56,993</u>

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Notes to Financial Statements (continued)

NOTE 10 SUBSEQUENT EVENTS

Consolidation

On August 18, 2010, a resolution was adopted by the Board of Commissioners of St. Mary Parish Water and Sewer Commission No. 4, ordering and calling a special election to be held on November 2, 2010 to authorize the assumption of debt of the various waterworks and sewer districts within its jurisdiction. This proposition was passed at the November 2, 2010 elections and can be initiated 60 days subsequent to passage. The following debt of the District was assumed by Water and Sewer Commission No. 4 as of January 2, 2011:

\$720,000 (remaining principal amount) of General Obligation Refunding Bonds, Series 2004, dated March 1, 2004, maturing serially on March 1 of the years 2011 to 2015, inclusive, bearing interest at 3.4%.

\$960,000 (original principal amount) of General Obligation Bonds, Series 2004, dated April 1, 2004, maturing serially on March 1 of the years 2011 to 2024, inclusive, bearing interest at 2.5% - 6.0%.

\$900,000 (original principal amount) of Water Revenue Bonds, Series 2004, dated March 1, 2004, maturing monthly on the 27th day of each month with a final maturity of December 27, 2041, bearing interest at 4.75%.

OTHER SUPPLEMENTARY INFORMATION

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Balance Sheet
September 30, 2010

With Comparative Totals as of September 30, 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 221,450	\$ 177,892
Receivables:		
Due from other governmental entities	96,082	96,082
Restricted assets:		
Cash	<u>150,770</u>	<u>143,133</u>
Total current assets	468,302	417,107
Property, plant and equipment, net	<u>4,475,277</u>	<u>4,830,381</u>
 Total assets	 <u>\$ 4,943,579</u>	 <u>\$5,247,488</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of bonds payable	\$ 191,018	\$ 180,501
Accrued interest	8,801	9,256
Payable from restricted assets:		
Refundable deposits	<u>97,789</u>	<u>97,789</u>
Total current liabilities	<u>297,608</u>	<u>287,546</u>
Noncurrent liabilities:		
Bonds payable	2,319,391	2,510,409
Compensated absences	<u>64,885</u>	<u>64,885</u>
Total noncurrent liabilities	<u>2,384,276</u>	<u>2,575,294</u>
Total liabilities	<u>2,681,884</u>	<u>2,862,840</u>
 Net Assets:		
Invested in capital assets, net of related debt	1,964,868	2,139,471
Restricted	44,051	38,107
Unrestricted	<u>252,776</u>	<u>207,070</u>
Total net assets	<u>2,261,695</u>	<u>2,384,648</u>
 Total liabilities and net assets	 <u>\$ 4,943,579</u>	 <u>\$5,247,488</u>

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2010
With Comparative Totals for the Year Ended September 30, 2009

	<u>2010</u>	<u>2009</u>
OPERATING EXPENSES		
Other services and charges	\$ 10,059	\$ 9,660
Depreciation	<u>355,104</u>	<u>360,046</u>
Total operating expenses	<u>365,163</u>	<u>369,706</u>
Operating loss	<u>(365,163)</u>	<u>(369,706)</u>
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	286,321	255,621
Bond interest and fiscal charges	(110,901)	(116,309)
Interest income	9,797	1,631
Intergovernmental grants	<u>56,993</u>	<u>56,243</u>
Total non-operating revenues (expenses)	<u>242,210</u>	<u>197,186</u>
Net loss	(122,953)	(172,520)
NET ASSETS, beginning	<u>2,384,648</u>	<u>2,557,168</u>
NET ASSETS, ending	<u>\$ 2,261,695</u>	<u>\$ 2,384,648</u>

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Statement of Cash Flows
Year Ended September 30, 2010
With Comparative Totals for the Year Ended September 30, 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Payments for goods and services	\$ <u>(10,059)</u>	\$ <u>(9,659)</u>
NON-CAPITAL FINANCING ACTIVITIES		
Intergovernmental transfers	56,993	56,243
Receipts from non-operating taxes	<u>286,321</u>	<u>255,621</u>
Net cash provided by non-capital financing activities	<u>343,314</u>	<u>311,864</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest and fiscal charges paid	(111,357)	(116,718)
Principle paid on bonds	<u>(180,500)</u>	<u>(170,009)</u>
Net cash used for capital and related financing activities	<u>(291,857)</u>	<u>(286,727)</u>
INVESTING ACTIVITIES		
Interest received	<u>9,797</u>	<u>1,631</u>
Net increase in cash and cash equivalents	51,195	17,109
Cash and cash equivalents, beginning	<u>321,025</u>	<u>303,916</u>
Cash and cash equivalents, ending	<u>\$ 372,220</u>	<u>\$ 321,025</u>

(continued)

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Statement of Cash Flows (continued)
Year Ended September 30, 2010
With Comparative Totals for the Year Ended September 30, 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (365,163)	\$ (369,705)
Adjustment to reconcile operating loss to net cash provided by operating activities -		
Depreciation	<u>355,104</u>	<u>360,046</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (10,059)</u>	<u>\$ (9,659)</u>

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Schedule of Number of Water Customers
(Unaudited)
September 30, 2010

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

Records maintained by the District indicate the following number of residential and non-residential water customers were being served during the month of September, 2010 were as follows:

Residential	4,824
Non-residential	<u>150</u>
Total	<u><u>4,974</u></u>

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Schedule of Aged Accounts
(Unaudited)
September 30, 2010

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

The insurance for the District is now accounted for in Water and Sewer Commission No. 4 and is as follows:

<u>Description of Coverage</u>	<u>Expiration Date</u>	<u>Coverage Amounts</u>
General Liability	2/25/2011	\$ 300,000.00
Surety Bonds-		
Blanket coverage of Board of Directors		60,000
Public Officials and Employeees		3,000,000
Employee Theft	3/6/2011	42,000 per occurrence
Real and Personal Property	2/26/2011	Replacement Cost

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Schedule of Aged Accounts
(Unaudited)
September 30, 2010

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

Billings and collections relative to revenues and receivables are being accounted for in Water and Sewer Commission No. 4. Aged receivables were as follows at September 30, 2010:

Under 30 days	\$ 49,445
31 to 60 days	1,776
61 to 90 days	495
91 to 120 days	(550)
Over 120 days	<u>(3,075)</u>
Total receivables	<u>\$ 48,091</u>

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Schedule of Water Rates
(Unaudited)
September 30, 2010

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

Residential and non-residential:

\$12.50 per month for the first 2,000 gallons

\$2.50 per thousand or part thereof over 2,000 gallons

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*

Tynos E. Mixon, Jr., CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Penny Angela Scruggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Marshall W. Guidry, CPA
Alan M. Taylor, CPA
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Cheryl L. Bartley, CPA
Mandy B. Sell, CPA
Paul L. Delcambre, Jr., CPA
Wanda F. Arcement, CPA, CVA
Kristin B. Dauzat, CPA
Richard R. Anderson, Sr., CPA
Carolyn C. Anderson, CPA

Retired:
Conrad O. Chapman, CPA* 2006
Harry J. Closio, CPA 2007

* A Professional Accounting Corporation

OFFICES

163 South Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Ibera, LA 70560
Phone (337) 357-9204
Fax (337) 357-9208

113 East Bridge St.
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

408 West Cotton Street
Vile Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddell St.
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-6681

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

621 Main Street
Pineville, LA 71360
Phone (318) 442-4421
Fax (318) 442-8833

WEB SITE
WWW.KCSRCPAS.COM

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
Waterworks No. 6 of the Parish of St. Mary
Charenton, Louisiana

We have audited the financial statements of the business-type activities of Waterworks District No. 6 of the Parish of St. Mary, (hereinafter "the District"), a component unit of the Parish of St. Mary as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit results and findings, we identified certain a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of audit results and findings as item 2010-01 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of audit results and findings as item 2010-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's responses to the findings identified in our audit are described in the accompanying corrective action plan for the current year findings. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information of the District's Board of Commissioners, management and others within the organization, the Louisiana Legislative Auditor, and the USDA Rural Development and is not intended to be and should not be used by anyone other than those specified parties. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 22, 2011

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Schedule of Audit Results and Findings
Year Ended September 30, 2010

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements of the District's business-type activities.

Significant deficiencies in internal control were disclosed by the audit of the financial statements and one of the conditions is considered a material weakness.

There were no instances of noncompliance required to be reported in accordance with Government Auditing Standards.

A management letter was not issued.

Part II. Findings which are required to be reported in accordance with *Government Auditing Standards*:

A. Internal Control-

2010-01 - *Segregation of Duties*

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The District's internal control over financial reporting includes those policies and procedures that pertain to the District's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2010

2010-02 - Application of GAAP (generally accepted accounting principles)

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

CRITERIA: AU §325.29 identifies, as a deficiency in the design of (internal) controls, employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording financial transactions or preparing its financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

B. Compliance-

No compliance issues are reported.

Part III: Findings and questioned costs for federal awards reported in accordance with Office of Management and Budget Circular A-133:

The requirements of OMB Circular A-133 do not apply to the District.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2010

A. Internal Control –

2009-01 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings item 2010-01.

2009-02 - Application of GAAP

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: See schedule of audit results and findings item 2010-2.

B. Compliance –

2009-03 - Bond Deposit Requirements

CONDITION: The District deposited money into the sinking fund, reserve fund, and contingency fund after the 20th of the month three times during the year.

RECOMMENDATION: We recommend that the District make the transfers required by the terms and conditions of the adopted bond resolution.

CURRENT STATUS: The District has taken corrective action to ensure that necessary transfers were made before the 20th day of each month as provided for in the bond provisions.

WATERWORKS DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Charenton, Louisiana

Corrective Action Plan for Current Year Findings
Year Ended September 30, 2010

2010-01 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: Not considered necessary

2010-02 - Application of GAAP (generally accepted accounting principles)

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

MANAGEMENT'S RESPONSE: The District has evaluated the cost/benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and has determined that it is in the best interest of the District to outsource this task to its independent auditors and will review, approve, and accept responsibility for the content and presentation of the statements and related notes prior to issuance.